

RECEIVED
LEGISLATIVE AUDITOR
2007 JUN 25 AM 11:18

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/8/07

TABLE OF CONTENTS

	<u>Page</u>
Accountants' Review Report	1-2
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net assets	5
Statement of activities	6
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental fund	9
Reconciliation of the governmental fund balance sheet to the statement of net assets	10
Statement of revenues, expenditures, and changes in fund balance - governmental fund	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	12
Notes to basic financial statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule: General Fund	23
OTHER SUPPLEMENTARY INFORMATION	
Schedule of prior and current year control deficiencies and management's corrective action plan	25-26
ATTESTATION REPORT AND QUESTIONNAIRE	
Independent Accountants' Report on Applying Agreed-Upon Procedures	28-30
Louisiana Attestation Questionnaire	31-32

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*

P.O. Box 1055
Abbeville, LA 70511

Phone (337) 893-7944
Fax (337) 893-7946

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-8592
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70555
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

ACCOUNTANTS' REVIEW REPORT

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

WEB SITE:
WWW.KCSRCPAS.COM

To the Board of Commissioners
Gravity Drainage District No. 2
Vermilion Parish, Louisiana

We have reviewed the accompanying financial statements of the governmental activities and the major fund of the Gravity Drainage District No. 2 (the Drainage District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2006, which collectively comprise the Drainage District's basic financial statements, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Gravity Drainage District No. 2.

A review consists principally of inquiries of Drainage District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued a report, dated May 1, 2007 on the results of our agreed-upon procedures.

The Gravity Drainage District No. 2 has not presented management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be part of, the basic financial statements.

Member of:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Member of:
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

The budgetary comparison information on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The other supplementary information section is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
May 1, 2007

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Statement of Net Assets
December 31, 2006

ASSETS

Current assets:

Cash and interest-bearing deposits	\$ 908,946
Due from other governmental agencies	219,965
Accrued interest receivable	<u>1,075</u>
Total current assets	1,129,986

Noncurrent assets:

Capital assets, net	<u>187,040</u>
Total assets	<u>1,317,026</u>

LIABILITIES

Current liabilities:

Accounts payables	<u>2,041</u>
-------------------	--------------

NET ASSETS

Invested in capital assets	187,040
Unrestricted	<u>1,127,945</u>
Total net assets	<u>\$1,314,985</u>

See accompanying notes and accountants' report.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Statement of Activities
Year Ended December 31, 2006

Expenses:	
Public works	<u>\$ 257,200</u>
General revenues:	
Ad valorem taxes	256,798
State revenue sharing	22,448
Investment earnings	30,611
Miscellaneous	<u>1,400</u>
Total general revenues	<u>311,257</u>
Change in net assets	54,057
Net assets, beginning	<u>1,260,928</u>
Net assets, ending	<u>\$ 1,314,985</u>

See accompanying notes and accountants' report.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTION - MAJOR FUND

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Balance Sheet - Governmental Fund
General Fund
December 31, 2006

ASSETS

Cash and interest bearing deposits	\$ 908,946
Ad valorem taxes receivable	204,875
Due from other governmental agencies	15,090
Accrued interest receivable	<u>1,075</u>
 Total assets	 <u>\$1,129,986</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 2,041</u>
 Fund balance:	
Unreserved, undesignated	<u>1,127,945</u>
 Total liabilities and fund balance	 <u>\$1,129,986</u>

See accompanying notes and accountants' report.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
December 31, 2006

Total fund balance for the governmental funds at December 31, 2006			\$1,127,945
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:			
Buildings and improvements, net of \$829 accumulated depreciation		1,733	
Machinery and equipment, net of \$172,251 accumulated depreciation		<u>185,307</u>	<u>187,040</u>
Total net assets of governmental activities at December 31, 2006			<u>\$1,314,985</u>

See accompanying notes and accountants' report.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
General Fund
Year Ended December 31, 2006

Revenues:	
Ad valorem taxes	\$ 256,798
State revenue sharing	22,448
Investment earnings	30,611
Miscellaneous income	<u>1,400</u>
Total revenues	<u>311,257</u>
Expenditures:	
Current -	
Public works - drainage	232,241
Capital outlay	<u>38,945</u>
Total expenditures	<u>271,186</u>
Net change in fund balance	40,071
Fund balance, beginning	<u>1,087,874</u>
Fund balance, ending	<u>\$1,127,945</u>

See accompanying notes and accountants' report.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
Year Ended December 31, 2006

Total net changes in fund balance at December 31, 2006 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 40,071
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	38,945	
Depreciation expense for the year ended December 31, 2006	<u>(24,959)</u>	<u>13,986</u>
Total changes in net assets at December 31, 2006 per Statement of Activities		<u>\$ 54,057</u>

See accompanying notes and accountants' report.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Gravity Drainage District No. 2 (the Drainage District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements the Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governments.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury created the Drainage District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the fund maintained by the Drainage District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

The Gravity Drainage District No. 2 (the Drainage District) was created under the authority of Louisiana Revised Statute 38:1751-1802. The Drainage District is situated in northeast Vermilion Parish and was created on August 4, 1942 for the purpose of opening and maintaining all natural drains in the district, where drainage is accomplished using the natural forces of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. As provided by Louisiana Revised Statute 38:1758, the Drainage District is governed by five commissioners. These five commissioners are collectively referred to as the board of

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

commissioners and are appointed by the Vermilion Parish Police Jury. The Drainage District is a component unit of the Vermilion Parish Police Jury, the governing body of the Parish and the governmental body with oversight responsibility.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and the statement of activities display information about the reporting government as a whole. The statements include all funds of the reporting entity. The Drainage District has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Drainage District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Drainage District maintains only one fund. It is categorized as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

The major fund of the Drainage District is described below:

Governmental Fund –

General Fund – This fund is the primary operating fund of the Drainage District and it accounts for the operations of the Drainage District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Drainage District policy.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Drainage District operations.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues

Intergovernmental revenues and fees, charges and commissions for services are recorded when the Drainage District is entitled to the funds.

Ad valorem taxes are recorded in the year taxes are due and payable. Ad valorem taxes are assessed in November, by the Parish Assessor, based on the assessed value and become due on November 15 of each year. The taxes become delinquent on January 1. An enforceable lien attaches to the property as of January 1. The taxes are generally collected in December, January, and February of the fiscal year. Property tax revenues are accrued at fiscal year-end to the extent that they have been collected but not received by the Vermilion Parish Tax Collector's Office. Such amounts are measurable and available to finance current operations.

Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Drainage District's primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the Drainage District.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. The Drainage District maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-25 years
Machinery and Equipment	5-15 years

In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated absences

Full-time employees of the Drainage District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year's service or less are allowed one week of vacation leave each year. Sick leave is granted on an individual basis as the need occurs. Vacation and sick leave may not be accumulated and carried into future years.

Equity classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Drainage District has no restricted net assets at December 31, 2006.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

E. Revenue Restrictions

The Drainage District has restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem taxes	See Note 2

The Drainage District uses unrestricted resources only when restricted resources are fully depleted.

F. Budgets and Budgetary Accounting

The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The budget is employed as a management control device during the year that assists its user in financial activity analysis.
3. All budget appropriations lapse at year-end. The budgets presented are the originally adopted budget and the final amended budget.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on January 1 of the following year. The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for Pension Fund contributions.

For the year ended December 31, 2006, taxes were levied on property with assessed values totaling \$31,242,640. The millage was 8.05 for the year ended December 31, 2006, all of which is dedicated to the maintaining and improving canals.

Total taxes levied were \$251,508. Taxes receivable at December 31, 2006 were \$204,875 all of which is collectible.

(3) Cash and Interest-Bearing Deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Drainage District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2006, the Drainage District has cash (book balances) totaling \$908,946.

Demand deposits	\$ 1,972
Time deposits	<u>906,974</u>
Total	<u>\$ 908,946</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2006 the Drainage District has deposit balances (bank balances) totaling \$914,590. These deposits are secured as follows:

Bank balances	<u>\$ 914,590</u>
Federal Deposit Insurance	100,000
Pledged Securities (Category 3)	<u>814,590</u>
Total federal insurance and pledged securities	<u>\$ 914,590</u>

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Drainage District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Drainage District that the bank has failed to pay deposited funds upon demand.

(4) Due from Other Governmental Agencies

Amounts due from other governmental agencies at December 31, 2006 consisted of amounts due from the State of Louisiana for state revenue sharing in the amount of \$15,090 and due from the Vermilion Parish Sheriff for ad valorem taxes in the amount of \$204,875.

(5) Capital Assets

Capital assets activity for the year ended December 31, 2006 was as follows:

	Balance 01/01/06	Additions	Deductions	Balance 12/31/06
Governmental activities:				
Capital assets being depreciated -				
Buildings and improvements	\$ 2,562	\$ -	\$ -	\$ 2,562
Machinery and equipment	349,178	59,645	(51,265)	357,558
Total capital assets being depreciated	351,740	59,645	(51,265)	360,120
Less accumulated depreciation				
Buildings and improvements	721	108	-	829
Machinery and equipment	177,965	24,851	(30,565)	172,251
Total accumulated depreciation	178,686	24,959	(30,565)	173,080
Governmental activities, capital assets, net	\$ 173,054	\$ 34,686	\$ (20,700)	\$ 187,040

Depreciation expense in the amount of \$24,959 was charged to the public works function.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(6) Compensation Paid Board of Commissioners

A summary of compensation paid to the board of commissioners for the year ended December 31, 2006 is as follows:

Roy Bertrand	\$ 1,850
Gerald Lebouef	2,695
Michael J. Sagrera	1,785
Blaine Joseph Saunier	1,600
Ted Nolan	<u>1,720</u>
Total	<u>\$ 9,650</u>

(7) Litigation

There was no litigation pending against the Drainage District at December 31, 2006.

(8) Risk Management

The Drainage District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Drainage District carries commercial insurance. There have been no significant reductions in the insurance coverage during the year.

**REQUIRED
SUPPLEMENTARY INFORMATION**

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana
General Fund

Budgetary Comparison Schedule
Year Ended December 31, 2006

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 223,782	\$ 241,917	\$ 256,798	\$ 14,881
State revenue sharing	22,053	23,286	22,448	(838)
Investment earning	1,800	1,338	30,611	29,273
Miscellaneous income	-	1,400	1,400	-
Total revenues	<u>247,635</u>	<u>267,941</u>	<u>311,257</u>	<u>43,316</u>
Expenditures:				
Current -				
Public works - drainage:				
Salaries	104,220	108,166	108,166	-
Payroll taxes	8,229	8,902	8,948	(46)
Group insurance	21,925	28,934	28,934	-
Fuel and lubricant	14,000	20,000	17,816	2,184
Compensation paid to board of commissioners	4,160	8,805	8,805	-
Office	600	781	945	(164)
Legal and accounting	3,276	4,076	4,076	-
Rent	11,280	11,280	11,280	-
Insurance	13,152	8,976	8,976	-
Repairs and maintenance	18,000	24,333	23,700	633
Utilities	1,200	1,122	1,118	4
Pension fund deduction	8,242	8,242	8,242	-
Other	7,388	2,937	1,235	1,702
Capital outlay	-	-	38,945	(38,945)
Total expenditures	<u>215,672</u>	<u>236,554</u>	<u>271,186</u>	<u>(34,632)</u>
Net change in fund balance	<u>31,963</u>	<u>31,387</u>	<u>40,071</u>	<u>8,684</u>
Fund balance, beginning	<u>1,087,874</u>	<u>1,087,874</u>	<u>1,087,874</u>	<u>-</u>
Fund balance, ending	<u>\$1,119,837</u>	<u>\$1,119,261</u>	<u>\$1,127,945</u>	<u>\$ 8,684</u>

See accountants' report.

OTHER SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Schedule of Prior and Current Year Control
Deficiencies and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2006

I. Prior Year Control Deficiencies:

Compliance

There were no control deficiencies in this section at December 31, 2005.

Internal Control Over Financial Reporting

05-1 Inadequate Segregation of Accounting Functions

Control Deficiency:

Due to the small number of employees, Gravity Drainage District No. 2 did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See 06-2.

Other Matters

There were no control deficiencies in this section at December 31, 2005.

II. Current Year Control Deficiencies and Management's Corrective Action Plan:

Compliance

06-1 Budget Violation

Control Deficiency:

Actual expenditures exceeded budgeted expenditures by more than 5%, which is a violation of LSA-R.S. 39:1311.

Management's Corrective Action Plan:

Jewitt Hulin, Secretary/Treasurer, will periodically review the budget throughout the fiscal year and amend as situations warrant.

GRAVITY DRAINAGE DISTRICT NO. 2
Vermilion Parish, Louisiana

Schedule of Prior and Current Year Control
Deficiencies and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2006

Internal Control Over Financial Reporting

06-2 Inadequate Segregation of Accounting Functions

Control Deficiency:

Due to the small number of employees, Gravity Drainage District No. 2 did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

Jewitt Hulin, Secretary/Treasurer, has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

Other Matters

There were no control deficiencies in this section at December 31, 2006.

**ATTESTATION REPORT AND
QUESTIONNAIRE**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*

P.O. Box 1055
Abbeville, LA 70511

Phone (337) 893-7944
Fax (337) 893-7946

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

Tynes E. Nixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA
Chris E. Bilski, CPA

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9592
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 West Cotton Street
Ville Platte, LA 70566
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

WEB SITE:
WWW.KCSRCPAS.COM

To the Board of Commissioners
Gravity Drainage District No. 2
Vermilion Parish, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Gravity Drainage District No. 2 (the Drainage District), and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Drainage District's compliance with certain laws and regulations during the year ended December 31, 2006, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There was one expenditure noted for over \$20,000 and it was in compliance with LSA-RS 38:2211-2251 (the public bid law).

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each employee as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all employees, as well as their immediate families.

Management provided us with the required list including the noted information.

Member of:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Member of:
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on December 6, 2005, which indicated that the budget had been adopted by the Drainage District. We also traced the adoption of the amended budget to the minutes of a meeting held on December 5, 2006.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual expenditures exceeded budgeted amounts by 5% or more.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All six payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Gravity Drainage District No. 2 is only required to post a notice of each meeting and the accompanying agenda on the door of the District's office building. Management has asserted that such documents were properly posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

We inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

See the Summary Schedule of Current and Prior Year Control Deficiencies for any comments or unresolved matters.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Drainage District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
May 1, 2007

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

December 31, 2006 (Date Transmitted)

Kolder, Champagne, Slaven & Co. LLC

200 South Main Street

Abbeville, LA 70510

(Auditors)

In connection with your review of our financial statements as of December 31, 2006 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 31, 2006.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes [☒] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [☒] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [☒] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [☒] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [☒] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [☒] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [☒] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [☒] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [☒] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Jerrett Hulin Secretary/Treasurer 2-6-07 Date
Roy Bertrand Jr President 2-6-07 Date